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OCA 88-1391

03 May 1988

Mr. Jeffrey Landrey, Minority Staff Director  
SubCommittee on Federal Services,  
Post Office & Civil Service  
United States Senate  
Washington, D.C. 20510-6252

Dear Mr. Landrey,

As you requested, below are brief descriptions of three SES initiatives we believe should be examined.

The law which set up the Senior Executive Service (SES) provides that not more than three percent of the aggregate annual SES payroll of an agency may be paid in the form of performance awards. This law also stipulates that the minimum award must be five percent and the maximum award may not exceed 20 percent. By increasing the size of the awards pool from three percent, it would be possible to give performance awards to more members of the SES and/or give more higher percentage awards. Efforts to increase the awards pool have begun outside the Agency. The Senior Executive Service Advisory Board (this board is composed of SES members from all parts of the government and serves in an advisory capacity to the Director of the Office of Personnel Management) has recommended that the SES bonus pool be increased to five percent and the President's Commission on Executive Pay recommended in its report that the pool be increased to 10 percent. We would like to see it go to at least five percent.

The award amounts for the SES Distinguished Rank award, currently \$20,000, and the Meritorious Rank award, currently \$10,000, were set in 1979 by the SES law referred to above and have not been changed since. In 1979, the Distinguished Rank award amount of \$20,000 was 38 to 40 percent of SES salary and the Meritorious Rank award amount of \$10,000 was 19 to 20 percent. Because SES salaries have increased since 1979 and these awards have remained fixed, the relative value of the Distinguished Rank award now ranges from 26 to 31 percent of salary and the Meritorious Rank award from 13 to 15 percent of salary.

This decline in the relative values of the awards has resulted in a situation where it is possible for someone who receives a Meritorious Rank award to receive less money than someone who receives a 15 percent performance award. The choice is between an award of greater prestige but less monetary value and an award of less prestige but greater monetary value. Both the SES Advisory Board and the President's Commission on Executive Pay have recommended that the Distinguished and the Meritorious award be valued at 40 percent and 20 percent of salary respectively, thus restoring them to the same relative values they had when the SES program was established. This change would also have the advantage of keeping the value of the stipends consistent with any future increases in the SES salary scales.

Finally, another change we feel deserves serious consideration is the introduction of an option for SES members to "cash out" a portion of their accumulated annual leave each year. As you know, SES members may accumulate annual leave without limit throughout their careers and then receive a lump sum cash equivalent when they resign or retire. Allowing SES members to cash out annual leave prior to leaving Government represents a win-win change for the SES member and the Government. An SES member who needs a lump sum, for example to help with college tuition for dependent children, would not have to resign to get the money. The Government, for its part, would avoid incurring a large unfunded obligation by discharging annual leave obligations at lower salary rates. The President's Commission on Executive Pay has recommended that SES members be allowed to "cash out" each year any accumulated annual leave above 120 hours. Independently of the Commission's recommendation, OPM is preparing draft legislation on this benefit for submission to Congress.

I hope this information is of some use to you. Please contact me if you have any questions or need additional information.

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